STATE OF IDAHO

Fiscal Year 2001 July 1, 2000 - June 30, 2001

General Fund Revenue Book

- Economic Forecast
- Revenue Projections
- Tax Expenditure Budget

DIRK KEMPTHORNE GOVERNOR

State of Idaho Dirk Kempthorne, Governor

General Fund Revenue Book

FY 2001 Executive Budget January 2000

- Economic Forecast
- Revenue Projections
- Tax Structure

prepared by the Division of Financial Management

Costs associated with this publication are available from the Division of Financial Management in accordance with Section 60-202, *Idaho Code*. 01-00/58505/350/010200-180-4001

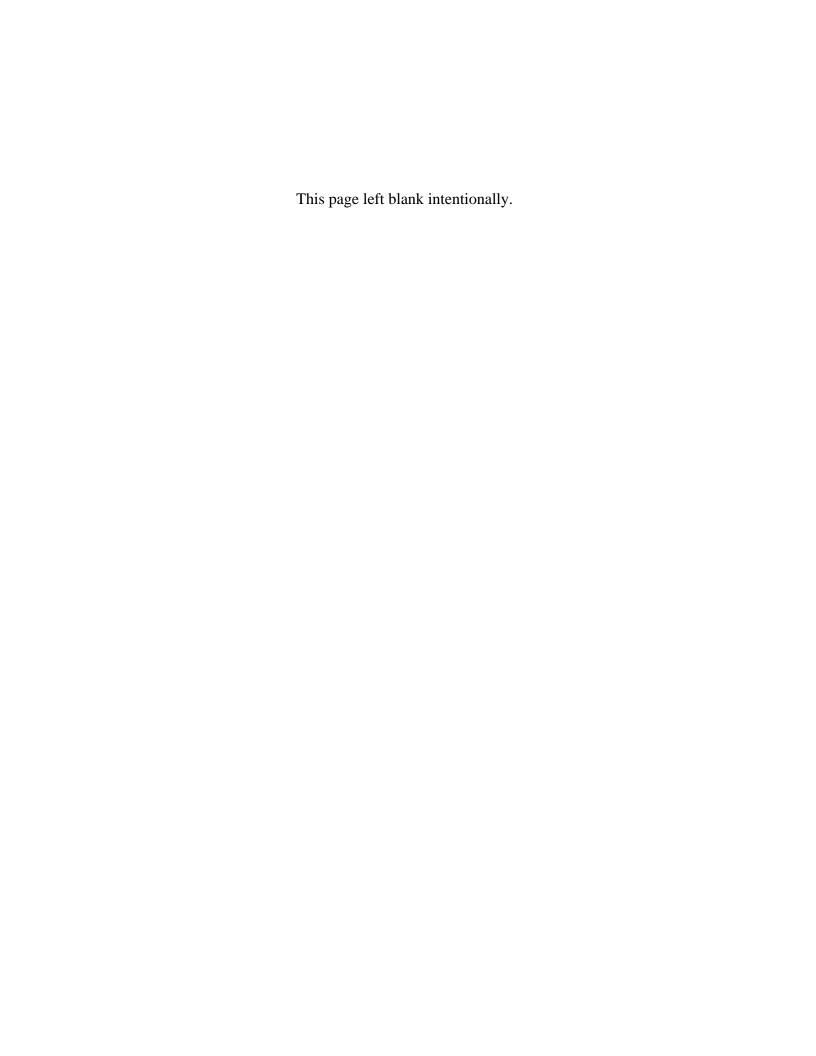
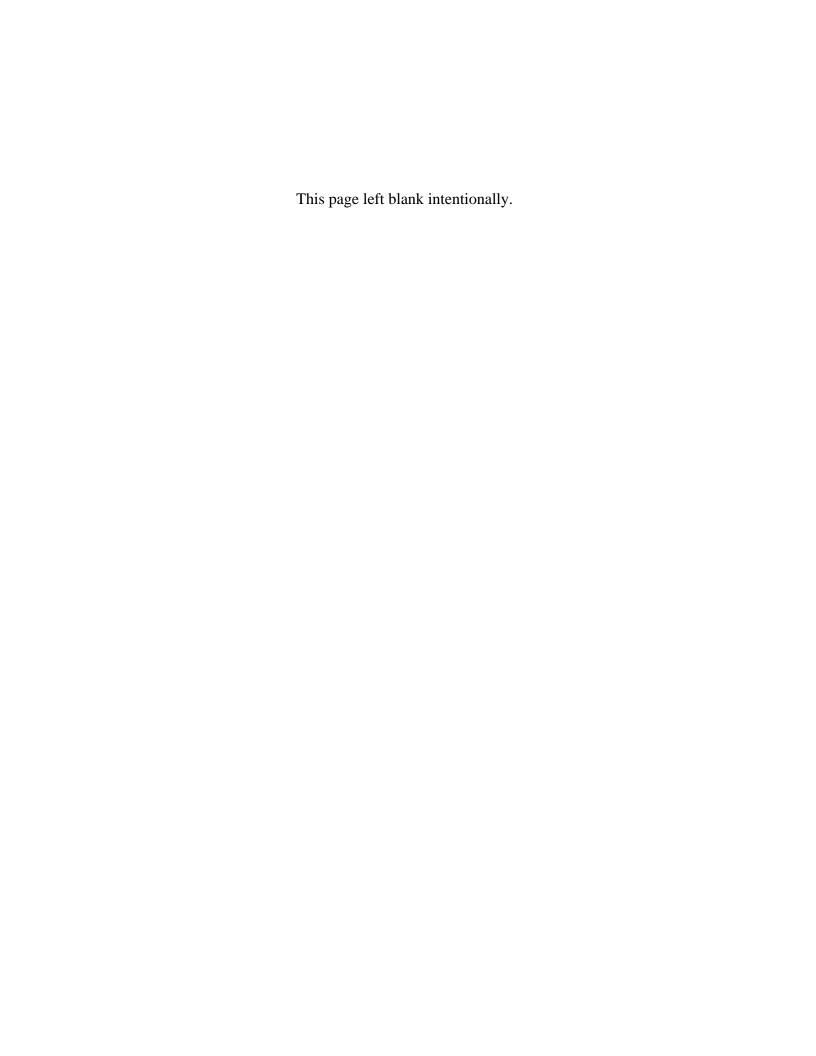


TABLE OF CONTENTS

Introduction		
Section	1 - Economic Forecast	3
	Executive Summary	5
	National Forecast Description	
	Idaho Forecast Description	
	Alternative Forecasts	
Section	2 - Revenue Projections	23
	Description of Individual Revenue Sources	23
	General Fund Revenue Summary	24
	Individual Income Tax	26
	Corporate Income Tax	28
	Sales Tax	
	Cigarette Tax	
	Beer Tax	
	Wine Tax	
	Liquor Surcharge	
	Kilowatt-Hour Tax	
	Mine License Tax	
	State Treasurer	
	Judicial Branch	
	Department of Insurance	
	Department of Law Enforcement	
	Unclaimed Property	
	Other Departments and Transfers	
	Miscellaneous Revenues	45
Section	3 - Tax Structure	47
	Introduction	
	Individual and Corporate Income Tax	
	Sales and Use Tax	
	Fiscal Summary Table	
	Tax Structure Detail	
	Individual and Corporate Income Tax	
	Sales and Use Tax	
	Cross Reference Table	
	In General Fund Revenue Book Order	
	In Idaho Code Order	82



INTRODUCTION

The basis for most of the revenue projections made in this book is the *Idaho Economic Forecast* published by the Division of Financial Management (DFM), which in turn is based on the Idaho Economic Model (IEM)¹. Each major revenue category (personal income tax, sales tax, and corporate income tax) is specified as a function of relevant explanatory variables.

Although the revenue model is specified in precise quantitative terms, two levels of uncertainty exist. The first of these uncertainties is associated with the statistical process itself and hence may be reduced to probabilities and confidence intervals. The other is related to the uncertainties associated with unknown future events. Weather effects on agriculture are a classic example. A forecast of agricultural production must either assume average weather or project some specific future weather condition. The forecast is contingent upon that assumed weather pattern actually occurring. Some other weather pattern will result in a different outcome for both farmers and the myriad of entities dependent upon the fortunes of farmers.

The contingent nature of an agricultural model demonstrates the uncertainty associated with any model containing exogenous variables. Both sources of forecast error are present in any model that is dependent on explanatory variables. Since most of Idaho's revenue sectors depend heavily on Idaho income levels, the revenue forecast is particularly sensitive to those factors that influence Idaho's income.

The major foundation of the IEM is economic base theory. Idaho's economy can be divided into "basic" and "domestic" activities (also known as "export" and "residentiary"). The basic activities, such as agriculture, forestry, mining, manufacturing, tourism, and exported services are characterized by a major dependence on external forces; while domestic activities like construction, trade, local services, and public utilities are characterized by a dependence on influences from within the State. The idea is that basic activities form the foundation of Idaho's level of economic activity, while domestic activities essentially follow from basic activities. While not a perfect theory, economic base theory does serve as a useful means of identifying the driving forces behind Idaho's overall level of economic activity.

¹ The IEM is in turn based on the Standard and Poor's DRI (DRI) Quarterly Model of the U.S. Economy. Descriptions of both are available in the current *Idaho Economic Forecast*, Division of Financial Management.